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PE acquisitions of EU Investment Firms: The EU regulatory “Investment HoldCo Question”

QuickTake

Private equity (**PE**) sponsors acquiring EU investment firms through third-country holding structures, the regulatory architecture of the resulting group requires close attention. This is particularly true where EU regulated investment firms and wealth managers sit beneath non-EU acquisition or holding companies (**HoldCos**). Each EU regulated investment firm may remain locally licensed and capitalised. Each acquisition may receive change-in-control clearance in relation to the EU regulated investment firm but there is no automatic Investment Firms Regulation (**IFR**) / Investment Firms Directive (**IFD**) of the non-EU HoldCos equivalent of the banking sector’s intermediate EU parent (**IPU**) requirement. That combination can create a perception that the group architecture is prudentially neutral.

Article 7 IFR provides for prudential consolidation. Article 8 IFR permits a group capital test (**GCT**), but **only** where the competent authority is satisfied that the group is “sufficiently simple” and “does not pose a significant risk to clients or to the market."[1] Article 55 IFD[2] addresses EU investment firms beneath a third-country parent where effective equivalent group-level supervision is absent and expressly permits the national competent authority (**NCA**) to exercise supervisory powers to require an EU investment holding company or mixed financial holding company.

The result is **not** an automatic EU intermediate holding company (**IHC**) rule but there is an EU investment holding company requirement that an NCA can require at its supervisory discretion. This is potentially significant for a buy-and-build: the legal structure can remain workable through successive acquisitions while the regulated group accumulates what we call '**regulatory architecture debt**' representing the cost and complexity of postponing the prudential group structure until capital, leverage, goodwill, governance, central services and exit mechanics have already been built around its absence.

Seven points to take away

1. A third-country parent does **not** automatically require an EU investment HoldCo — but that is the beginning, not the end, of the analysis.

2. Article 55 IFD can require supervisory techniques achieving Article 7 or 8 IFR objectives and expressly permits an EU investment HoldCo.

3. GCT requires supervisory permission and a sufficiently simple group; it is not a sponsor election.

4. An unregulated Swiss HoldCo does not automatically provide equivalent group-level supervision.

5. A double LuxCo or German HoldCo may itself become the Union prudential parent.

6. No debt pushdown does not mean no consolidation; goodwill and acquisition accounting can materially affect capital.

7. The core PE risk is regulatory architecture debt: postponing the group solution until restructuring becomes expensive.

In brief

For PE sponsors acquiring EU investment firms through third-country holding structures, the EU HoldCo question should move from regulatory footnote to core structuring consideration. There is no automatic EU investment HoldCo requirement comparable to the banking sector's Article 21b CRD rule. But Article 55 IFD empowers NCAs to require one where effective equivalent group-level supervision is absent—and the conditions for the lighter-touch GCT require ongoing assessment as platforms grow and cross borders. Sponsors may therefore accumulate 'regulatory architecture debt': the cost of restructuring rises with each acquisition while documented supervisory engagement makes deferred solutions increasingly difficult to sustain. The prudent approach is to stress-test the group structure against Article 7, 8 IFR and 55 IFD scenarios before each acquisition, not after exit planning has begun.

The following sections examine each element of this analysis in detail, beginning with the fundamental question of how to identify the relevant group.

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[1] Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms (IFR), Articles 7 and 8. Article 8(1) provides for the GCT permission by derogation from Article 7; Articles 8(3) and 8(4) specify the calculation mechanics and lower-amount permission respectively.

[2] Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms (IFD), Article 55. The statutory trigger refers to two or more investment-firm subsidiaries of the same third-country parent; the assessment is performed by the authority that would be group supervisor under Article 46, with the prescribed consultation framework.

Start with the group, not the licence

The common analytical error is to start with the licensed operating company and ask whether it, viewed alone, satisfies its own funds and governance requirements. That is necessary but insufficient once the ownership chain contains several investment firms or relevant financial entities.

Article 7 IFR applies prudential consolidation in the EU to “Union parent investment firms”, “Union parent investment holding companies” and “Union parent mixed financial holding companies”. The “**Consolidation RTS**”[3], applicable from 15 July 2024, specifies the scope and methods of prudential consolidation and the control relationships that bring relevant entities into the perimeter.

The exercise should therefore begin at the top and work down: (i) identify every (potential) parent undertaking, investment firm, relevant financial institution and service company; (ii) identify direct and indirect control; (iii) identify which entity would be the Union parent; and (iv) only then test Articles 7, 8 IFR and 55 IFD.

Class 2 versus Class 3 is already a group question

Article 12 IFR means that the small and non-interconnected (**SNI**), or Class 3,[4] analysis cannot always be performed entity by entity. Article 12(2) IFR combines the conditions in paragraph 1(a), (b), (h) and (i); paragraph 1(c)–(g) remains tested individually. The relevant figures are regulatory metrics, not necessarily the platform’s headline AUM. A boutique that looks small on a solo basis can therefore cease to qualify as Class 3 because of the platform into which it is acquired.

This is not merely taxonomy. Moving up from Class 3 (i.e., SNI) into Class 2 changes the prudential framework, including K-factor capital,[5] governance, disclosure and supervisory expectations. The diligence question is not simply ‘what class is the target today?’ but ‘what class will the target and the existing firms be once the target enters this group?’

This creates an apparent conceptual tension. Where subsidiaries are required to aggregate the relevant Article 12 IFR metrics because of their membership of a platform group, which causes Class 2 treatment, they are effectively saying: ‘this is a group for IFR purposes, and our membership of it changes our prudential classification.’ Yet the same platform may operate without an obvious EU prudential parent. Those propositions are not legally inconsistent, but they create an obvious supervisory question: if the group is sufficiently integrated to change the prudential classification of the underlying firms, what is the group-level prudential architecture applicable to that same group?

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[3] Commission Delegated Regulation (EU) 2024/1771 of 13 March 2024 supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the scope and methods of prudential consolidation of an investment firm group (**Consolidation RTS**).

[4] Article 12 IFR sets out the conditions for qualification as a small and non-interconnected investment firm (Class 3). Article 12(2) combines the conditions in paragraph 1(a), (b), (h) and (i) for aggregation purposes; paragraph 1(c)-(g) remains tested individually. Article 12(3) provides a three-month transition period for specified aggregate-threshold failures.

[5] The K-factor framework is set out in Part Three, Title II IFR (Articles 15-33), with K-CON (concentration risk) calculated under Article 39 in Part Four. K-factors are risk-sensitive own funds requirements that replace the standardised credit, market and operational risk charges applied to credit institutions. They are grouped into three categories: (i) Risk-to-Client (RtC) K-factors - K-AUM (assets under management), K-CMH (client money held), K-ASA (assets safeguarded and administered) and K-COH (client orders handled); (ii) Risk-to-Market (RtM) K-factors - K-NPR (net position risk) or, where authorised, K-CMG (clearing margin given); and (iii) Risk-to-Firm (RtF) K-factors - K-TCD (trading counterparty default), K-DTF (daily trading flow) and K-CON (concentration risk). For a Class 2 investment firm, Article 11(1) IFR sets the baseline own-funds requirement at the highest of the fixed-overhead requirement, the permanent minimum capital requirement and the K-factor requirement, subject to applicable additional supervisory requirements.

Article 7 IFR: the baseline

Article 7 IFR is the baseline group regime. A Union parent investment firm, Union parent investment holding company or Union parent mixed financial holding company must comply with specified IFR requirements on the basis of its consolidated situation. The parent and relevant subsidiaries must have the organisational structure and internal controls needed to produce consolidation data.

The application of the Consolidation RTS from 15 July 2024 sharpened the framework. For a PE-backed platform, corporate structuring, accounting control and prudential consolidation can no longer sensibly be analysed in separate workstreams.

Article 8 IFR: GCT is an alternative, not an escape hatch

Article 8 IFR permits an NCA to allow the GCT by derogation from Article 7 IFR where the group structure is sufficiently simple and does not pose a significant risk to clients or to the market that would otherwise require consolidated supervision.

The European Banking Authority (**EBA**) introduced harmonised GCT Guidelines because it observed divergent application across the EU.[6] Those GCT Guidelines have applied since 1 January 2025. Additional entities, jurisdictions, corporate layers, central services, intercompany exposures or acquisition vehicles may affect the assessment of whether the group remains ‘sufficiently simple’, but these are not automatic bars. The Guidelines contain differentiated criteria and exceptions, not a universal prohibition on larger or international groups.

A structure may therefore begin life as a plausible GCT candidate and evolve to a position where the conditions for continued permission require closer examination through M&A activity. However, the assessment is fact-specific; permission and the sufficiently-simple/no-significant-risk conditions should be tested rather than assumed lost.

Article 55 IFD: the third-country-parent problem

Article 55 IFD addresses EU investment firms beneath the same third-country parent where effective group-level supervision is absent. The statutory trigger refers to two or more investment-firm subsidiaries of the same third-country parent. The NCA must assess whether third-country supervision is equivalent to supervision under IFD and Part One IFR. The assessment is performed by the authority that would be group supervisor under Article 46 IFD, with the prescribed consultation and allocation framework. Where supervision is not equivalent, the NCA is required to ensure that appropriate supervisory techniques achieve the objectives of Article 7 IFR or Article 8 IFR.

One available technique is particularly important for PE structures: the authority may require an investment holding company or mixed financial holding company in the Union and apply Article 7 or Article 8 IFR to it.

So “there is no mandatory EU HoldCo rule” is correct but incomplete. There is no automatic insertion requirement comparable to the banking IHC rule; there is however a supervisory architecture that can produce precisely that structural outcome.

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[6] EBA, Guidelines on the application of the group capital test for investment firm groups under Article 8 of Regulation (EU) 2019/2033 (EBA/GL/2024/03), dated 11 April 2024 and applicable from 1 January 2025.

Germany: § 69 WpIG makes the point unusually visible

Germany implements the third-country-parent framework in § 69 of the German Investment Firms Act (*Wertpapierinstitutsgesetz*, **WpIG**). If the relevant third-country supervision is not equivalent and Bafin (*Bundesanstalt für Finanzdienstleistungsaufsicht*, the German Federal Financial Supervisory Authority) is the competent authority, Bafin applies appropriate supervisory techniques capable of achieving the objectives of Article 7 or 8 IFR. Section 69(3) WpIG expressly permits Bafin to require an EU investment holding company or mixed financial holding company.

There is also a drafting nuance in the law: § 69(1) WpIG expressly refers to '*ein Wertpapierinstitut oder … mehrere Wertpapierinstitute*' (an investment firm or several investment firms), whereas Article 55(1) IFD speaks of 'two or more investment firms'. A third-country-parented structure with only one German WpIG investment firm should therefore **not** be assumed outside the German assessment merely because no second EU firm has been acquired. BaFin's competence, the effectiveness and equivalence of the relevant third-country group supervision, and the choice of appropriate supervisory technique must still be examined. § 69(3) WpIG permits an EU investment holding company requirement; it does not make one automatic on the first acquisition.

The unregulated Swiss HoldCo: geography is not equivalence

Consider a PE sponsor owning an unregulated Swiss holding company which directly or indirectly owns several German Class 2 investment firms. The fact that the HoldCo is Swiss does not itself answer Article 55 IFD.

The legal question is whether the relevant investment-firm group is subject to effective group-level supervision by the third-country supervisory authority equivalent to IFD and Part One IFR. If the Swiss HoldCo is an ordinary unregulated acquisition or holding company, the fact that other Swiss operating subsidiaries may be supervised by FINMA (the Swiss Financial Market Supervisory Authority) does not automatically establish equivalent prudential supervision of the group headed by that Swiss HoldCo. The absence of an individual operating licence does not conclusively establish that the HoldCo lies outside every supervised consolidated perimeter; a parent can lack a standalone operating licence yet be included in group supervision.

Entity regulation below the HoldCo is not the same thing as group-level supervision of the HoldCo and its EU subsidiaries.

The double-LuxCo problem

A recurring acquisition structure uses two Luxembourg companies (**LuxCos**) between the third-country sponsor and the regulated operating firms—for example, a top acquisition/financing LuxCo and a second LuxCo holding German investment firms. This may be attractive for corporate, tax, financing, governance or exit reasons. It is not necessarily prudentially neutral.

The analysis is functional, not label-driven. Each entity in a double-LuxCo chain must be classified separately. If an EU entity is a parent undertaking and its subsidiaries are exclusively or mainly investment firms or financial institutions, with at least one investment firm, the investment holding company definition under Article 4(1)(14) and (23) IFR must be tested. The entity must itself be a financial institution; labels such as BidCo or LuxCo are not determinative.

That creates a potential double-LuxCo trap. An EU acquisition vehicle intended to solve corporate or financing questions may simultaneously create an identifiable investment holding company. However, a lower

LuxCo or German HoldCo may qualify as an investment holding company without being the Union parent where a qualifying EU parent sits above it. The Union-parent definition requires examination of the entities above it: third-country parent → LuxCo 1 → LuxCo 2 → German firm. If Article 7 IFR becomes the baseline, the relevant parent must be identified at each level.

Conversely, leaving the firms directly beneath a Swiss HoldCo does not eliminate the regulatory question in the EU; it moves the analysis into Article 55 IFD. The choice is **not** "*EU HoldCo equals regulation; third-country HoldCo equals no regulation*". It is a choice between different routes through the same group-prudential framework.

Equity-funded German HoldCo and no debt pushdown

A German holding company funded entirely with equity may avoid some leverage and debt-pushdown concerns, but it does not answer whether that entity is an investment holding company, becomes the Union prudential parent, or brings the group into Article 7 unless Article 8 IFR is permitted.

A deliberate decision not to push acquisition debt into regulated German firms can be entirely sensible. But no debt pushdown is not the same thing as no prudential consolidation. The prudential analysis follows the group and control perimeter, not simply the location of external debt.

Goodwill can become the hidden deal-model issue

Goodwill[7] is particularly important in wealth-management roll-ups because purchase price often reflects recurring fee income, client relationships and franchise value rather than hard regulatory capital. The more successful the buy-and-build, the larger the potential acquisition-accounting balance. Under IFRS 3, the measurement involves non-controlling interests and previously held interests where applicable; separately identifiable customer-related intangibles must also be distinguished from goodwill.

Under Article 7 IFR, consolidated own funds draw on the Capital Requirements Regulation (**CRR**)[8] own-funds framework referenced by IFR. Intangible assets and goodwill can therefore become relevant deductions in the consolidated capital calculation. The precise accounting and prudential treatment must be tested against the actual acquisition method and group perimeter.

Under a GCT, the mechanics differ. Article 8(3) IFR is directed at each relevant parent undertaking, not merely the top company or a pooled group capital balance. The test covers the full book value of the specified holdings, subordinated claims and instruments, plus the total amount of contingent liabilities in favour of the relevant group entities. Article 8(4) IFR permits a lower amount only on its own conditions. The sponsor still needs to model the book value of holdings, subordinated claims and group capital resources at each relevant parent level rather than assume that equity injected into an acquisition vehicle is prudentially reusable without constraint. This is why the EU HoldCo question can affect purchase-price capacity and return on equity, not just reporting.

[7] "**Goodwill**" in this context refers to the excess of the purchase price paid for an acquired investment firm over the fair value of its identifiable net assets. Under IFRS 3 (Business Combinations), the calculation also addresses non-controlling interests and previously held interests where applicable; separately identifiable customer-related intangibles must be distinguished from goodwill. For prudential purposes, goodwill is deducted from Common Equity Tier 1 (CET1) capital under Article 36(1)(b) CRR (subject to the Article 37 adjustments), as cross-referenced by Article 9 IFR. The GCT discussion should not imply that it automatically removes goodwill deductions: the specified Article 8 own-funds adjustments do not create a general goodwill exemption.

[8] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation or CRR), as amended. IFR Article 9 references CRR own-funds definitions; see CRR Article 36(1)(b) for goodwill deductions and Article 37 for related adjustments.

The economic shock scenario

Assume a sponsor builds an investment model around legally separate regulated subsidiaries and funds successive acquisitions on that basis. After acquisition eight, the group supervisor requires: an EU investment HoldCo; Article 7 IFR prudential consolidation (or a properly structured Article 8 GCT solution); and group-level governance. The sponsor may suddenly need to reconsider acquisition goodwill, HoldCo debt, own-funds eligibility, capital deductions, contingent liabilities, intercompany exposures, dividend capacity, liquidity, K-factor treatment, fixed-overhead requirements, central services and consolidated reporting. Note that Article 7 IFR and GCT have different group-level governance and remuneration consequences under Article 25(4) IFD.

This is not merely "have we missed a regulatory filing?" It can become "was our acquisition and financing architecture designed using the wrong prudential perimeter?" That question can materially change the economics of the original PE investment.

NCA past performance does not guarantee future inaction

The absence of publicly visible EU HoldCos does not establish supervisory inaction. Article 55 IFD assessments, qualifying-holding conditions, GCT permissions, reporting arrangements and coordination between NCAs are generally not public.

The absence of public enforcement does not mean absence of supervisory engagement—Article 55 IFDassessments, Pillar 2 discussions and conditions attached to qualifying-holding approvals are not ordinarily published. There is specific evidence of supervisory action: the MFSA's 16 June 2025 prudential-consolidation letter addresses Article 7 IFR compliance and references earlier engagement.[9] That is useful, attributable evidence. It is not proof of a uniform EU-wide Article 55 IFD enforcement campaign or a general policy of compelling intermediate HoldCos. Where the risk is under-modelled in deal diligence, sponsors should stress-test their structures against Article 7, 8 IFR and 55 IFD scenarios rather than assume that past supervisory silence guarantees future inaction.

The policy objective is adequate group-level prudential supervision, not the proliferation of EU holding companies. A supervisor may be satisfied with another Article 55 IFD technique, including a GCT-based solution where the statutory conditions are met. Risk prioritisation also matters: wealth and portfolio managers may present lower immediate balance-sheet or market risks than broker-dealers or clearing members.

The detailed common machinery also matured later than the primary legislation: the Consolidation RTS became applicable in July 2024 and the EBA GCT Guidelines in January 2025. The IFD does contain allocation, cooperation and college machinery under Articles 46–51. Cross-border buy-and-builds can create a coordination challenge: BaFin sees German firms; CSSF (Commission de Surveillance du Secteur Financier, the Luxembourg NCA) sees Luxembourg entities; FMA (*Finanzmarktaufsicht*, the Austrian NCA) sees Austrian firms; FINMA may see Swiss regulated entities. The question is whether the mechanisms for identifying and supervising the entire platform as one prudential architecture are consistently applied.

Acquisition-by-acquisition regulation creates path dependency

Ongoing Article 7 IFR duties, Article 12 IFR threshold breaches, qualifying-holding procedures and changes affecting GCT eligibility are real legal or supervisory triggers. The GCT Guidelines paragraphs 26–28 specifically address material changes and reconsideration or withdrawal of permission. There is no single AUM-

[9] Available here.

based automatic EU HoldCo trigger, but acquisitions and other material changes can require renewed assessment under existing rules. However, consider:

- Year one: a third-country HoldCo acquires a single German IFR investment firm — little apparent systemic concern.
- Year two: a second German firm — still manageable.
- Year three: firms three and four, each transaction independently acceptable.
- Year four: a Luxembourg firm — another NCA enters the picture.
- Year five: an Austrian firm.
- Year six: €15–20bn combined AUM, multiple Class 2 firms, centralised compliance, IT and finance functions.

Each acquisition can be acceptable at the margin while the aggregate architecture develops into something that a supervisor might never have designed from scratch. This is "**regulatory path dependency**". The cost of inserting an EU investment HoldCo rises with each acquisition because the platform accumulates licences, acquisition debt, intercompany financing, central services, goodwill, management incentive arrangements, dividend flows, tax structures, common technology, shared DORA arrangements and cross-border outsourcing. At that point a supervisory requirement to restructure is no longer a simple corporate housekeeping exercise. It potentially affects capital, leverage, goodwill, distributions, governance, remuneration, reporting, tax, acquisition financing and exit mechanics simultaneously.

Five analytical shortcuts that understate the risk

Market practice may be susceptible to several analytical shortcuts that understate prudential group risk:

Shortcut	Why it is incomplete
"There is no Article 21b-style mandatory IHC."	Correct, but incomplete. Article 55 IFD can produce precisely the same structural outcome through supervisory direction.
"The NCA approved our change of control."	Approval of a single acquisition does not amount to permanent endorsement of the group architecture. Conditions can be attached, Pillar 2 measures can follow and the assessment can change as the platform grows.
"Each portfolio company is adequately capitalised."	Entity-level solvency does not answer how the group is prudentially supervised. IFR group concepts deliberately look through legal entities.
"The Swiss/UK/US parent solves the third-country question."	The question is not whether some subsidiaries are regulated somewhere. It is whether the group headed by the third-country parent is subject to effective group-level supervision equivalent to IFD and Part One IFR. An unregulated acquisition HoldCo may have little or no prudential supervision itself.
"We can use the GCT."	Article 8 GCT is not something a sponsor self-elects because it produces a preferable capital result. The NCA must be satisfied that the statutory conditions are met, and those conditions become harder to satisfy as the platform grows and crosses borders.

What deal teams should ask before the next acquisition

For PE-backed investment-firm platforms, the EU HoldCo question should perhaps move from regulatory footnote to a more central position as part of structuring a transaction and the resulting target regulated group architecture. The right analysis is not whether an EU HoldCo is automatically required today. It is whether the structure can withstand Articles 7, 8 IFR and 55 IFD throughout the investment horizon – in particular where a regulated group grows.

A structure that works for "acquisition 1" may not work for "acquisition 6". A GCT case that is persuasive for a simple domestic group may weaken after a second LuxCo, a German HoldCo, multiple Member States and centralised platform functions are added. An unregulated Swiss parent may change where the prudential-parent question is answered, but it does not make the group disappear.

The practical answer is to model three cases alongside the acquisition model from the outset: (i) Article 7 IFR consolidation; (ii) Article 8 IFR GCT; and (iii) Article 55 IFD third-country-parent treatment. Article 55 IFD is the supervisory route for achieving Article 7 or 8 objectives where effective third-country group supervision is absent; it is not a third independent capital formula. Early modelling may identify restructuring or approval issues before signing; the cost after the platform has accumulated leverage, goodwill, licences and minority management shareholders can be considerably higher. Specific questions include:

- What is the complete investment-firm group perimeter after closing?
- Which entities are Class 2 or Class 3 before and after the acquisition?
- Is there already a Union parent investment firm or investment holding company in the chain, including a LuxCo or German HoldCo?
- What effective group-level supervision actually applies to an unregulated Swiss or other third-country parent?
- If supervision is not equivalent, which Article 55 IFD technique is intended to achieve Article 7 or 8 IFR objectives?
- Is GCT genuinely available after the proposed acquisition under the EBA simplicity and risk criteria?
- Who would be group supervisor if the parent were established in the EU, and which NCAs need to be engaged?
- What happens to goodwill, intangibles, acquisition debt, subordinated claims and own funds under Article 7 and Article 8 IFR scenarios?
- Does the financing model assume distributions or intercompany flows that prudential group treatment could constrain?
- What is the trigger for revisiting the architecture after the next acquisition, jurisdiction or centralisation step?

In addition to the above, PE-backed wealth and asset-management platforms often acquire alternative investment fund managers (AIFMs) or UCITS (Undertakings for Collective Investment in Transferable

Securities) management companies (ManCos) alongside MiFID II (Directive 2014/65/EU) investment firms. The interaction between fund manager prudential requirements and IFR consolidation is not always straightforward.

Further considerations

The IFR/IFD group framework does not operate in isolation. PE-backed platforms typically encounter adjacent regulatory regimes that interact with — and can complicate — the prudential consolidation analysis. The following main aspects should be considered:

- Alternative Investment Fund Managers Directive (AIFMD) and UCITS Directive interaction
- Financial Conglomerates Directive
- IFD remuneration at group level
- Group governance requirements
- Large exposures and concentration risk
- Liquidity requirements
- DORA and operational resilience
- Group reporting and disclosure
- Intragroup transactions under GCT versus consolidation
- Recovery and resolution planning

These considerations connect to wider developments in EU exit-route policy. The European Commission's March 2026 consultation on private equity exits and intermittent multilateral trading platforms[10] addresses private-market liquidity and exit options for PE investors. That consultation closed on 11 May 2026. As that framework develops, the interaction between prudential group architecture and new secondary-trading mechanisms will be an additional planning factor. See our separate Client Alert: *European Commission consultation on private equity exits: A new framework for secondary trading in private company shares* (March 2026).

Further German jurisdiction specifics

The comments above apply to investment firms regulated under the WpIG and subject to IFR/IFD. It does **not** apply to the German class of "financial intermediaries" regulated under § 34f or § 34h of the Trade Regulation Act (*Gewerbeordnung*, **GewO**).[11] The central distinction is that a GewO permission determines what an operating company may do, but it does not, by itself, settle whether that entity is an investment firm subject to IFR. Sections 34f and 34h operate within specified exclusions from the KWG and WpIG, so a firm

[10] See our Client Alert on this available here.

[11] GewO intermediaries are supervised by local Chambers of Commerce (*Industrie- und Handelskammern*) rather than Bafin, are not MiFID II investment firms, and fall outside the IFR prudential perimeter. A GewO permission does not itself authorise discretionary portfolio management, general advice on ordinary shares or bonds, or unrestricted dealing in financial instruments. Moving beyond the permitted product and service range requires a fresh authorisation analysis. Equally, a §34f or §34h permission does not carry a MiFID passport—Article 3(3) MiFID II withholds passporting rights from persons relying on its optional exemption. GewO firms are not subject to K-factor capital requirements or to the Articles 7, 8 and 55 consolidation framework. PE platforms that acquire only GewO intermediaries do not trigger the group-architecture analysis described in this Client Alert.

relying lawfully on those routes is **not** an IFR investment firm merely because it provides investment-related services.

For PE platforms, acquiring only GewO intermediaries does not trigger the group-architecture analysis described in this Alert. A large network of GewO intermediaries does not become subject to IFR solely because the platform's marketing reports substantial assets advised or distributed; Class 3 eligibility and Article 12 IFR aggregation must follow the legally relevant firms, services and metrics.

Where a platform acquires both WpIG investment firms and GewO intermediaries, only the WpIG firms enter the consolidation perimeter—but a GewO firm can still affect the prudential group through its activities, ownership links, or role within a mixed platform, so its acquisition is not necessarily neutral for group capital calculations. Sponsors should monitor whether GewO businesses may require conversion to full WpIG authorisation if their commercial activities expand beyond the permitted product scope. A GewO permission is therefore neither an automatic gateway into nor a safe harbour from the IFR group perimeter.

The first German WpIG acquisition remains a significant review point

Consider a Swiss parent holding § 34d GewO insurance brokers, § 34f GewO investment intermediaries and § 34i GewO mortgage intermediaries, but no IFR/WpIG investment firm. Acquiring the first German WpIG firm requires the third-country group-supervision analysis to be revisited. § 69(1) WpIG expressly refers to one or more investment firms. The existing GewO subsidiaries need not become investment firms for that question to arise. BaFin's competence and the statutory supervision/equivalence conditions remain essential.

The mixed platform: analyse the activity, then the holding company

A GewO permission is neither an automatic gateway into nor a safe harbour from the IFR group perimeter. Article 4(1)(14) IFR uses a principal-activity test for financial institutions, including specified Annex I CRD activities. Portfolio advice under point 11 can be relevant when assessing a §§ 34f/34h GewO business. Ordinary property brokerage, insurance distribution and loan intermediation should not simply be equated with securities advice, insurance underwriting or lending respectively. The precise activities and statutory definitions need to be applied to each entity.

An entity can also require assessment as an ancillary-services undertaking: IFR expressly refers to property and data-processing activities ancillary to investment firms. This does not make every property manager or technology provider in a PE portfolio an ancillary-services undertaking. It requires the defined principal-activity relationship to the investment firm or firms.[12]

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[12] The parent analysis follows. In a Swiss HoldCo → LuxCo 1 → LuxCo 2 → German operating-company structure, test which entities are financial institutions, whether a holding company's subsidiaries are exclusively or mainly investment firms or financial institutions, and which qualifying EU entity is the Union parent. The German or lower Luxembourg vehicle is not automatically the relevant Union parent just because it holds the operating licences. Nor does adding GewO businesses mechanically remove an existing prudential perimeter. These are applications of the statutory definitions to the particular structure, not classifications produced by corporate labels.

Where an entity falls within the Article 7 perimeter, its treatment can affect consolidated data and capital. Under Article 8, the statutory GCT components must instead be applied at each relevant parent, including qualifying holdings, subordinated claims, specified instruments and contingent liabilities. A GewO company's absence of solo IFR capital requirements does not establish that its acquisition is neutral for the group calculation.

UK and third-country structures post-Brexit

The Swiss HoldCo example discussed above applies equally to UK-headquartered structures post-Brexit. A UK acquisition vehicle or holding company is now a third-country entity for Article 55 IFD purposes.

The equivalence question is whether the investment-firm group headed by a UK HoldCo is subject to effective group-level supervision by the FCA (Financial Conduct Authority) equivalent to IFD and Part One IFR. The UK implemented its own Investment Firms Prudential Regime (**IFPR**) from 1 January 2022, which shares the same MiFID II lineage as IFR/IFD but has since diverged in certain respects.

For Article 55 IFD, the relevant EU competent authority assesses the effectiveness and equivalence of the actual third-country group supervision. The analysis does not depend on waiting for a general Commission decision declaring the United Kingdom equivalent for this purpose. Whether the UK parent and its EU subsidiaries fall within a relevant FCA-supervised perimeter must therefore be established on the facts, before determining whether alternative Article 55 IFD techniques are needed.

The broader policy question

IFR/IFD regulates investment-firm groups, but European supervisory machinery remains substantially entity- and jurisdiction-based. The suggestion that cross-border PE consolidation can create economically integrated investment-firm platforms faster than the supervisory architecture naturally identifies the point at which entity supervision should become group-architecture supervision is a hypothesis for empirical examination. The legislation assumes that NCAs will periodically look upwards from the regulated investment firm and ask: who actually owns this group, and how is it prudentially supervised? But ordinary supervision overwhelmingly begins downwards: is this licensed entity adequately capitalised, governed and compliant? PE buy-and-build models can operate in the space between those two perspectives. Testing this hypothesis would require evidence of controlled groups, licences, parent jurisdictions, Article 55 assessments and actual NCA techniques—not headline subsidiary counts alone.

This is unlikely to be an isolated phenomenon. The same third-country HoldCo architecture appears attractive across PE-backed consolidation of investment and wealth managers, with structures ultimately headquartered in Switzerland, the UK, the US, Jersey, Guernsey and other third countries. The population of potentially affected structures may be larger than market participants assume. The important question is not whether any individual platform has done something wrong—there may be no public evidence establishing that—but how consistently Articles 55 IFD and 7/8 IFR are being applied to PE-backed investment-firm consolidators across Member States.

The detailed considerations above illustrate why prudential group architecture is not a one-time structuring decision but an ongoing analysis. The question is where the regulatory trajectory is heading.

Outlook

The investment-firm group framework has sharpened materially: the consolidation RTS took effect in July 2024, the GCT Guidelines applied from January 2025, and supervisory engagement is already documented (e.g. the MFSA's June 2025 consolidation letter on Article 7 IFR). However, this does not evidence an EU-wide campaign to impose holding companies under Article 55 IFD, and the October 2025 EBA/ESMA advice flags further issues for clarification. Given these developments, treating the original group assessment as permanent is unsafe, and whether further acquisitions require a different prudential structure remains fact-specific.

Sponsors should reassess material changes against the existing framework and document the intended group treatment, rather than relying on assumed supervisory silence or predicting imminent restructuring orders. Unresolved consolidation risk may affect valuations, IPO disclosure, and carve-out structuring. Early engagement with competent authorities — particularly on GCT availability — is likely more cost-effective than retrospective restructuring under time pressure.

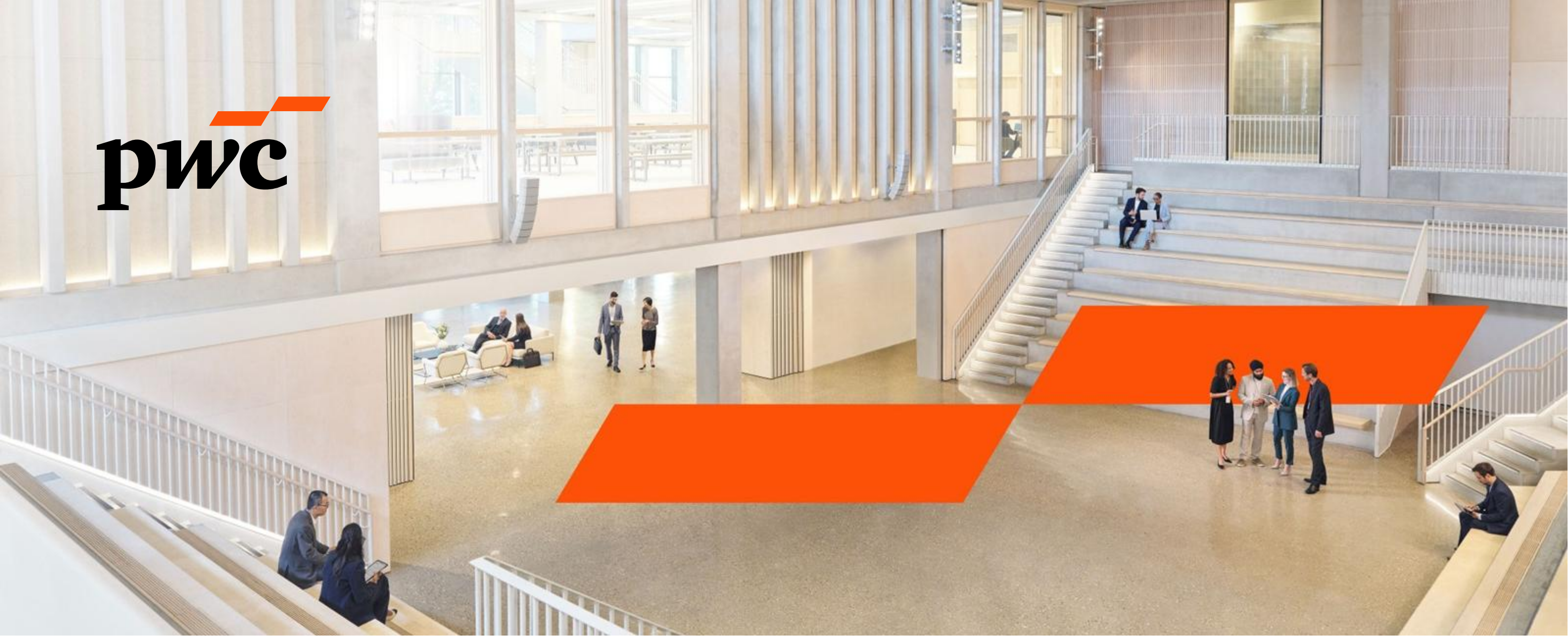
For PE sponsors, this means that regulatory architecture debt accrued during buy-and-build must increasingly be addressed before, not after, an exit event.

We suggest three practical steps:

- **Map the group perimeter under IFR**. Identify every relevant entity in the ownership chain (investment firms, holding companies, financial institutions, ancillary-services undertakings), determine the Union parent (if any), and establish NCA jurisdiction.

- **Stress-test the deal model against Articles 7 and 8 IFR and Article 55 IFD**. Model capital, goodwill, leverage, distribution, and governance consequences under each scenario—prudential consolidation, GCT, and a supervisory requirement to insert an EU investment HoldCo—and identify trigger points at which the current structure becomes unsustainable.

- **Engage proactively with the lead NCA before the next acquisition**. Early dialogue on intended group treatment, GCT availability, and third-country-parent supervision can pre-empt reactive restructuring. The change-in-control process for each acquisition is a natural opportunity to address group architecture, not just the target's standalone position.



About us

PwC Legal is assisting financial services firms and market participants in forward planning for relevant developments. We have assembled a multi-disciplinary and multijurisdictional team of sector experts to support clients in addressing challenges and opportunities and to engage with their market stakeholders and regulators.

Moreover, we have developed a number of RegTech and SupTech tools for supervised firms, including PwC Legal's Rule Scanner tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from multiple thousands of legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

The PwC Legal Team behind Rule Scanner are proud recipients of ALM Law.com's coveted "2024 Disruptive Technology of the Year Award" and the "2025 Regulatory, Governance and Compliance Technology Award".

If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our website.

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